

INTRODUCTION: Source and Availability of the Balance in the Account of the U.S. Treasury

The Treasury's operating cash is maintained in accounts with the Federal Reserve banks (FRBs) and branches, as well as in tax and loan accounts in other financial institutions. Major information sources include the Daily Balance Wire received from the FRBs and branches, and electronic transfers through the Letter of Credit Payment, Fedline Payment, and Fedwire Deposit Systems. As the FRB accounts are depleted, funds are called in (withdrawn) from thousands of tax and loan accounts at financial institutions throughout the country.

Under authority of Public Law 95-147, Treasury implemented a program on November 2, 1978, to invest a portion of its operating cash in obligations of depositories maintaining tax and loan accounts. Under the Treasury tax and loan investment program, depository financial institutions select the manner in which they will participate. Financial institutions wishing to retain funds deposited into their tax and loan accounts in interest-bearing obligations participate under the

Note Option. The program permits Treasury to collect funds through financial institutions and to leave the funds in Note Option depositories and in the financial communities in which they arise until Treasury needs the funds for its operations. In this way, Treasury is able to neutralize the effect of its fluctuating operations on Note Option financial institution reserves and on the economy. Likewise, those institutions wishing to remit the funds to the Treasury's account at FRBs do so under the Remittance Option.

Deposits to tax and loan accounts occur as customers of financial institutions deposit tax payments, which the financial institutions use to purchase Government securities. In most cases, this involves a transfer of funds from a customer's account to the tax and loan account in the same financial institution. Also, Treasury can direct the FRBs to invest excess funds in tax and loan accounts directly from the Treasury account at the FRBs.

TABLE UST-1.--Elements of Change in Federal Reserve and Tax and Loan Note Account Balances

[In millions of dollars. Source: Funds Control Branch, Financial Management Service]

Fiscal year or month	Credits and withdrawals				
	Federal Reserve accounts			Tax and loan note accounts	
	Credits ¹		Withdrawals ²	Taxes ³	Withdrawals (transfers to Federal Reserve accounts)
	Received directly (1)	Received through Remittance Option tax and loan depositories (2)			
	(1)	(2)	(3)	(4)	(5)
1992	3,266,858	288,556	3,538,754	572,967	572,321
1993	3,407,516	331,337	3,746,152	584,383	583,369
1994	3,597,247	307,639	3,915,321	686,879	693,001
1995	3,904,812	226,833	4,129,866	642,952	642,716
1996	4,366,413	194,156	4,561,495	629,083	621,887
1995 - Sept.	290,931	18,998	306,074	58,374	42,408
Oct.	298,831	15,725	316,159	46,545	61,697
Nov.	393,003	14,447	408,763	44,608	38,381
Dec.	316,921	21,708	338,354	68,902	74,788
1996 - Jan.	339,184	18,119	355,071	54,403	39,676
Feb.	409,663	13,572	425,812	45,271	48,989
Mar.	275,277	15,685	289,573	52,580	63,252
Apr.	520,944	17,110	534,033	58,821	36,392
May.	424,041	14,052	445,378	46,232	82,756
June	318,757	17,596	332,410	60,307	30,732
July.	346,058	14,795	361,718	47,017	47,413
Aug.	333,559	13,558	348,804	44,612	66,630
Sept.	390,178	17,788	405,417	59,787	31,179

See footnotes at end of table.

**TABLE UST-1.--Elements of Change in Federal Reserve
and Tax and Loan Note Account Balances, con.**

[In millions of dollars. Source: Funds Control Branch, Financial Management Service]

Fiscal year or month	Balances							
	End of period		High		During period		Average	
	Federal Reserve (6)	Tax and loan note accounts (7)	Federal Reserve (8)	Tax and loan note accounts (9)	Low		Federal Reserve (12)	Tax and loan note accounts (13)
					Federal Reserve (10)	Tax and loan note accounts (11)		
1992	24,586	34,203	24,586	37,028	1,852	2,752	6,513	19,756
1993	17,289	35,217	28,386	37,540	1,108	1,625	6,510	18,978
1994	6,848	29,094	21,541	46,624	2,736	-	5,904	18,631
1995	8,620	29,329	20,977	41,288	2,826	99	6,127	16,955
1996	7,700	36,525	15,668	40,647	2,490	-	5,847	14,194
1995 - Sept.	8,620	29,329	17,499	41,288	4,001	1,430	6,850	17,754
Oct.	7,018	14,176	8,620	33,237	3,416	4,677	5,384	12,446
Nov.	5,703	20,402	6,538	20,402	4,621	-	5,410	8,195
Dec.	5,979	14,515	11,383	40,647	4,998	3,617	6,762	15,191
1996 - Jan.	8,210	29,243	9,168	31,776	4,368	5,655	6,298	17,023
Feb.	5,632	25,525	6,294	31,102	2,490	1,878	4,953	14,227
Mar.	7,021	14,853	9,455	23,272	3,527	57	5,610	10,367
Apr.	11,042	37,281	15,668	37,281	4,485	1,266	7,318	15,761
May	3,757	757	11,967	37,881	3,757	757	5,714	12,867
June	7,701	30,332	9,206	31,670	3,272	757	6,162	14,821
July	6,836	29,936	6,836	30,431	3,703	4,478	5,304	17,633
Aug.	5,149	7,917	6,317	23,743	4,425	6,295	5,107	11,536
Sept.	7,700	36,525	8,215	36,525	4,039	4,861	6,139	20,259

¹ Represents transfers from tax and loan note accounts, proceeds from sales of securities other than Government account series, and taxes.

² Represents checks paid, wire transfer payments, drawdowns on letters of credit, redemptions of securities other than Government account series, and investment (transfer) of excess funds out of this account to the tax and loan note accounts.

³ Taxes eligible for credit consist of those deposited by taxpayers in the tax and loan depositories

as follows: Withheld income taxes beginning March 1948; taxes on employers and employees under the Federal Insurance Contributions Act beginning January 1950, and under the Railroad Retirement Tax Act beginning July 1951; a number of excise taxes beginning July 1953; estimated corporation income taxes beginning April 1967; all corporation income taxes due on or after March 15, 1968; Federal Unemployment Tax Act taxes beginning April 1970, and individual estimated income taxes beginning October 1988.